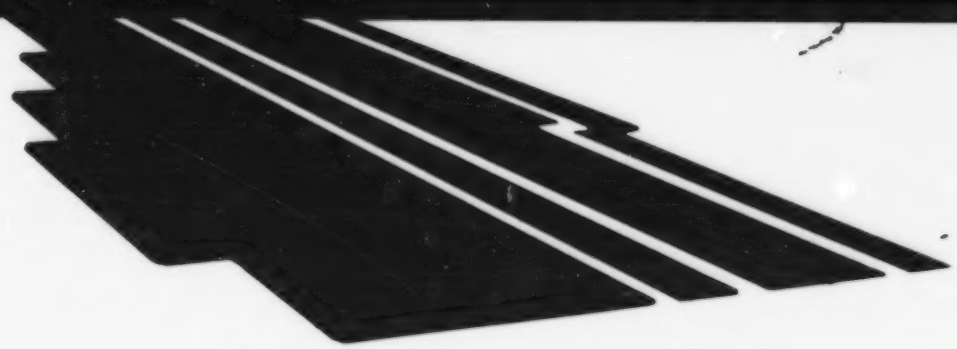
The Regional Municipality of Niagara



1987 Annual Financial Report

REGIONAL PROFILE

Incorporated in 1969, the Regional Municipality of Niagara is the upper tier of a two tiered level of Government located in the Niagara Peninsula in the Province of Ontario. It encompasses a geographic area of 719 square miles and serves a population of over 370,000 who live and work in twelve distinct Area Municipalities comprised of 5 Cities, 5 Towns and 2 Townships.

The Province created the Region with the idea of providing an area with common geographic, economic and social features; a balance of diverse interests within the area of economic stability; an adequate tax base for the equalization of fiscal disparities and use of modern technology; region-wide benefits in terms of economic scale where the Area Municipalities accept a Regional jurisdiction as an integral part of their own local responsibilities.

These qualities are reflected in the Region's logo which is a stylized map of the Region in green and blue. The Niagara River and Welland Canal both internationally known resources are highlighted in the design and coloured blue. The remainder of the logo is green signifying the agricultural and natural areas that are unique to the Region. The colour green also represents growth and development. The Niagara Region is symbolized as one geographic area which illustrates unity in existing municipal structures.

CONTENTS

Message from the Chairman & Chief Administrative Officer ____ 2

Treasurer's Report ____ 5

Six-Year Financial Review ____ 9

Auditor's Report ____ 10

Financial Statements ____ 11

Notes to the Financial Statements ____ 14

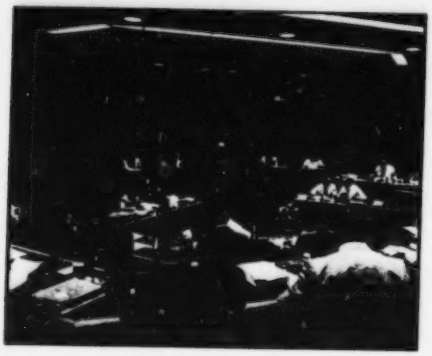
Supporting Schedules ____ 20

Auditor's Report on the Trust Funds ____ 24

Trust Funds ____ 25

Management ____ 27

Council, Boards and Commissions ____ 28



Regional Council working to provide Niagara's residents with a prosperous and enjoyable Region in which to live.

Regional Government At Work In a Growing Community

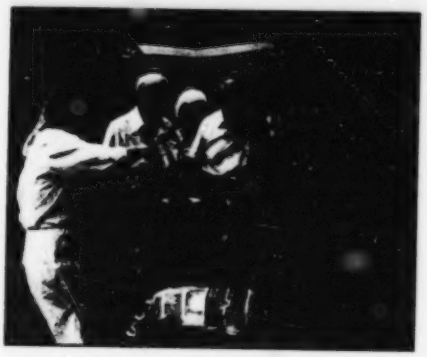
Completion of the Financial Statements for 1987 signals eighteen successful years for Regional government in Niagara. They reflect a sense of pride and accomplishment and evidence the strength of government in the Region. The services Regional government provide are made possible through the dedication and hard work of a Regional family of professional employees. These employees work within the framework of decisions made by Regional Council and Council's desire to provide equitable services to twelve Area Municipalities at the most efficient levels.

Regional Government is one of several major employers in Niagara. Its 2,211 full time employees provide many services in: protection to persons and property; roads; sewage treatment; water production; planning; health and social and family services. The intricate nature of these services require Regional Council to meet regularly to debate and decide on the recommendations of its five Standing Committees. Many hours were spent in 1987 debating the merits of such services as: an enhanced 911 Emergency Telephone System for the Regional community; new Homes for the Region's senior citizens and establishing funding criteria for meeting the goals and objectives of the Region's various programs to satisfy its jurisdictional mandate within prescribed budgets.

Implementing the decisions of Regional Council while staying within approved spending limitations has always proved to be the most demanding task for Regional staff. Each department faces the reality of rising program costs and demands for increased service levels. These challenges were nevertheless met once again in 1987 and made for an exciting and rewarding year for Regional government and its employees.

Providing a Quality Lifestyle

The Region's primary responsibility is to its citizens. It therefore seeks to provide programs and services which ensure a high quality lifestyle. In Social and Family Services, staff responds to an average of 4,000 welfare and social assistance cases each month. The Region's four Homes for the Aged cater



Angelica Schmitz, Recreationist, one of many dedicated Homes staff participates in a patio barbeque planned for the enjoyment of its Seniors.

to over 800 in-care residents. Two new Homes for the Aged scheduled for completion in 1988 will broaden the base of this service to include the Towns of Niagara-on-the-Lake and Fort Erie and complement existing services in the cities of Welland, St. Catharines, Niagara Falls and Port Colborne. Services to the mentally retarded and children in Regional care are also provided in residential facilities.

Randy Thomas is shown, utilizing the advanced technology at the Decew Water Treatment Plant to ensure efficient water services to the Region.

Significant growth in the Region's economy occurred in 1987. This was especially evident in residential building construction. This growth is encouraged, even though it brings with it new pressures to provide adequate sewer, water and road services. Over 400 employees are committed to keeping these essential services at optimal levels. These include maintenance and repair of the Region's 959 km road system and operations at 13 sewage treatment systems and 10 water plants.

Regional roads crew installing new guiderails for the safety of the motoring public.

Protecting Life and Property

Growth in households along with increases in industrial and commercial activities bring with them the demand for higher levels of protection to persons and property. The 700 strong Niagara police force responds to almost 200,000 dispatch calls each year. As Regional communities expand, implementation of the 911 Emergency Telephone System in the Fall of 1988 with dispatch headquartered in St. Catharines will assist in increasing the efficiency of these related services.

As part of their many Community Programs, Sergeant Harry Artinian and staff members of the Niagara Regional Police, visit schools through the school year and summer season teaching children about bicycle safety and protection.

Planning for the Future

Planning for growth and development is a commitment of Regional government. This concern has helped to keep the Region abreast of the changing needs of its diverse communities. A major initiative in 1987 was Regional Council's authorization of a review of the Region's Land Use Policy Plan. This effort will indicate new directions for growth and will require imagination and the skills of the Region's professional staff in both administration and planning. This is in addition to the day to day challenges in planning administration and the processing of over 2,000 development applications each year.

Regional Planning Staff Kathy Desjardins, Dave Miller and Tom Bernard, at one of the Region's new development sites. Planning policies ensure the best possible environment for community life.

Encouraging Economic Growth and Development

The Region takes a keen interest in ensuring the viability of its economic base. This interest is kept alive through the activities of the Niagara Region Development Corporation and the Region Niagara Tourist Council. Both organizations are funded by Regional Government and both work towards promoting manufacturing, industrial/commercial and tourism interests in the Region. The current economic development strategy for the Region recognizes the emergence of the service sector as one of the largest employer units. It also recognizes the need to encourage development through a global perspective by creating a positive business environment for the Niagara Region.

From left to right are M. Trojan, Director of Finance; W. N. Dick, Regional Chairman and M. H. Boggs, Chief Administrative Officer discussing results of the year's efforts.

New Directions at Regional Government

The Region's Corporate Structure is under review. The aim is to develop a complete strategic plan including goals and objectives for all Regional operations. The budget process has been revised to ensure program objectives are monitored as the various departments meet the challenges of the late 1980's and prepare for the next decade. New management directions are being identifed and implemented. Moreover, Regional Council along with staff, are prepared to pursue these initiatives in conjunction with the improved and increased service demands by the public and the local communities.

The future for Niagara is encouraging. New directions at Regional Government and our determined efforts to maintain a viable economic base through the provision of adequate infrastructure is a fundamental component of Niagara's success. The following Financial Statements reflect that success.

W. N. Dick
Regional Chairman

M. H. Boggs
Chief Administrative Officer

The Financial statements for 1987 characterize another successful year for the Region of Niagara.

Among the 1987 accomplishments are: the implementation of the Region's newly developed financial system, the initiation of a multi-year plan to review and modify the budget process and the first stages of a long range comprehensive guide to corporate computing and information processing through the development of a computer system master plan.

Furthermore, in an ongoing effort to ensure that major contracted services are cost effective, the Region undertook reviews of its employee benefits and banking services in 1987. In both instances, the review resulted in improvements at reduced costs.

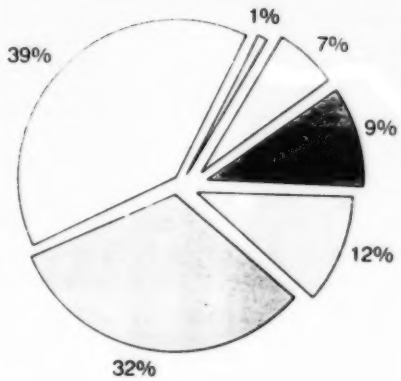
1987 Current Operations

The intent of the multi-year phased program of reviewing and modifying the current budget process is to place more meaningful and concise budget information in the hands of Council for consideration and approval. Greater review of budget detail will be undertaken at the staff level through a Budget Steering Committee representing the major spending departments. This will lead to greater emphasis on program delivery decisions during the review at Committee and Council levels.

The proposed spending level for the 1987 budget guaranteed a continuation of existing services and as well, provided for new spending requirements directly related to environmental issues and an expanded roads rehabilitation program. The 1987 gross current budget resulted in a net average tax increase of 5.3%.

Total current revenues for 1987 were $164.4 million. Of the total, 39% was in the form of grants, primarily from the Province of Ontario and 32% generated through the tax levy on Niagara Region residents.

Current Revenues 1987

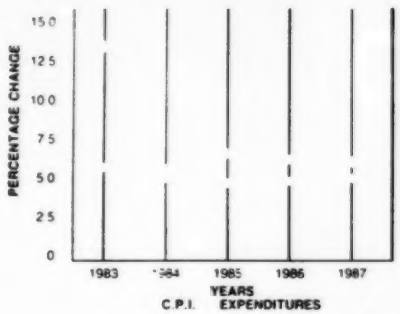


☐ Grants	$ 64,474,519
☐ Taxes	52,979,639
☐ Sewer	18,891,967
▩ Water	13,760,240
☐ User Fees	11,992,551
☐ Miscellaneous	2,343,497
	$164,442,413

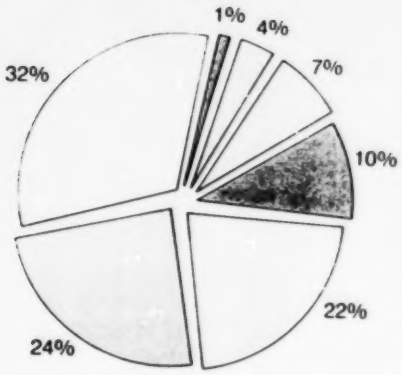
An analysis of current total budget revenues from 1983 to 1987 shows a slight decline in grant revenues from 41.4% in 1983 to 39.2% in 1987. As a result, there has been a corresponding increase in the percentage of total revenues generated from taxes from 29.7% in 1983 to 32% in 1987.

The current expenditure growth rate has declined throughout the 1983 to 1987 period. Despite a slight increase in expenditure growth between 1984 and 1985, the rate of yearly increases in expenditures has fallen from 13.8% in 1983 to 6.3% in 1987. Moreover, during the last few years, there has been a narrowing in the difference between the inflation rate and the increases in Regional expenditures. This suggests that the Region has been able to respond to growth and demands for expanded services with expenditure increases slightly above those of inflation.

Annual Percentage Changes in Regional Expenditures & Inflation 1983 to 1987



Current Expenditures 1987



Social & Family	$ 52,706,828
Protection	40,219,085
Environment	35,373,342
Transportation	16,867,538
General Govt.	11,474,851
Health Services	6,721,367
Planning & Develop.	1,898,561
	$165,261,572

Our budget process continues to emphasize the objective of reasonable and predictable tax and user rate increases. Controls through guidelines place limitations on capital financing costs within the current budget. They also promote a balanced approach to the financing of infrastructure so that the payment burden is shared by both existing and future taxpayers.

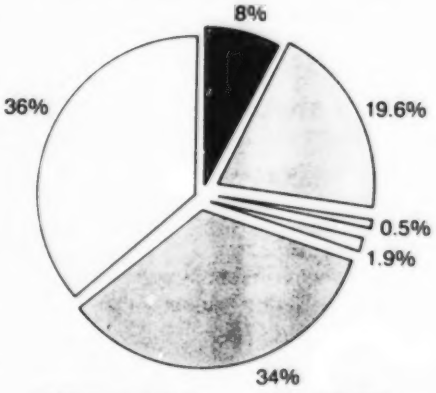
People oriented services continue to dominate as major contributors to annual expenditure increases. Addressing Niagara resident needs in the areas of Day Care, Welfare and service to Seniors resulted in Social & Family Service expenditures of $52.7 million in 1987, or 32% of the total $165.3 million current expenditures for the year. Protection to Persons and Property (policing) and Environmental Services (water & sewer) were also major areas of expenditure. Increases in spending for Social and Family Services, Environmental Services and Health Services have traditionally been high. Many provincially mandated services contribute heavily to annual total expenditure increases in these areas.

Careful management of expenditures within the guidelines set by Council resulted in an accumulated surplus position of $2.1 million at the end of 1987. Management of surplus funds is very important to the Region and the tightening of the budget process will reduce the likelihood of large surpluses in future years.

THE CAPITAL PROGRAM

In 1987, $31 million was spent on Regional capital projects. Repairing existing and constructing new infrastructure accounted for the majority of these capital expenditures. Roads rehabilitation and sewer and water works alone accounted for 70% of total capital expenditures. A further 20% was devoted to the construction of two new Homes for the Aged which will be ready for occupancy in 1988. The capital spending program for sewage treatment and waterworks has increased substantially over the previous year due primarily to new requirements by the Ministry of the Environment. In this regard the Ministry announced increased funding to the Region of Niagara to assist in the expansion and modification to its sewage treatment systems to address environmental concerns.

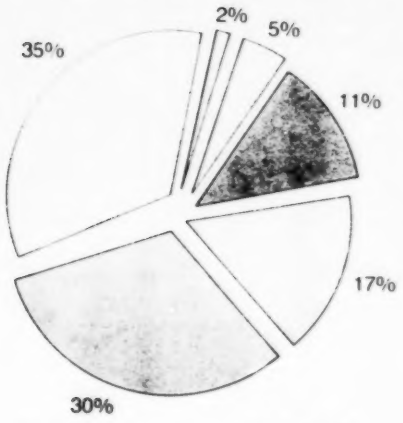
Capital Expenditures 1987



Transportation	$11,130,558
Environment	10,547,160
Social & Family	6,066,338
Protection	2,486,224
General Govt.	569,508
Planning & Develop.	81,389
Health Services	77,305
	$30,958,482

Capital operations in 1987 were financed primarily from reserves, reserve funds and provincial grants. These sources alone comprised 65% of capital financing. Long term borrowing accounted for $6 million or 17% of capital revenues, with slightly over $4 million or 11% raised through property taxation.

Capital Revenues 1987



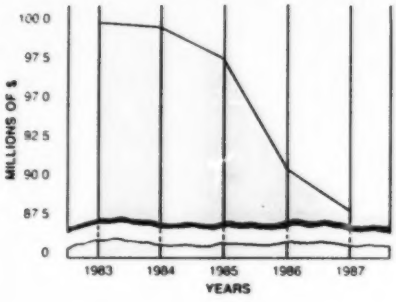
Reserves	$12,397,504
Grants	10,773,072
Debt	6,045,600
Taxes	4,079,242
Miscellaneous	1,655,627
Other Govt.	614,885
	$35,565,930

The Region's capital budget guidelines encourage a multi-year plan of reasonable and predictable tax, sewer and water rate increases. This is accomplished by ensuring that debt charges as a percentage of total expenditures do not increase beyond the existing level.

1987 Debt Position

The Region's debt accumulation has been falling since 1983 due mainly to a concerted effort to finance as much of the capital program as possible out of current funds. At the end of 1987 the Region's net long term debt was $89.2 million, down 1.7% from the previous year.

Debt Accumulation 1983 to 1987



Per capita debt in the Region has also been falling continuously since 1983. After a precipitous fall between 1985 and 1986, per capita debt continued to fall in 1987 from $245.12 in 1986 to $240.76 in 1987. This is a decrease of 1.8% from the previous year.

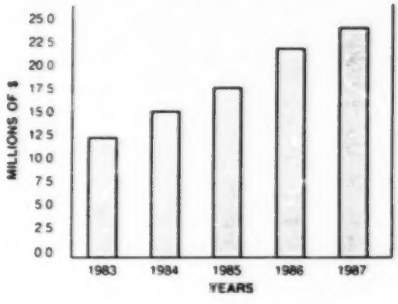
The Region's debt charges as a percentage of total Regional expenditures have been falling as well since 1983. In 1987, 10.7% of total expenditures were used for servicing long term debt. This represents a 14% reduction from 1986.

There was one debenture issue in 1987 amounting to $10 million made up of $6.0 million for the Region and $4.0 for the Area Municipalities. This issue with an average life of 7.5 years and an average yield of 10.09% was well received in the market.

1987 Reserves and Reserve Funds

Reserves and reserve funds which were generated from annual current budget contributions continued to increase in 1987. The accumulation of reserves plays an integral part in the financing strategy of future capital works. During 1987 total reserves and reserve funds increased by 9% despite record high transfers of $12.4 million to finance capital works projects. These transfers accounted for 34.8% of total capital financing.

Total Reserves & Reserve Funds 1983 to 1987



SUMMARY

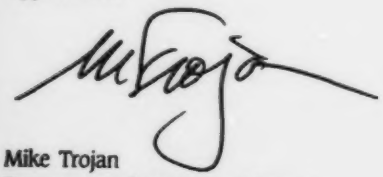
Our auditors, Crawford, Smith & Swallow have examined the financial statements included with this report. In their opinion, the statements represent fairly the financial position of the Region as of December 31, 1987.

The positive trends in construction activity, employment, business investment and reductions in welfare caseloads that have demonstrated Niagara's economic strength in recent years have continued during 1987.

There are also indications that economic growth will continue. Therefore, Niagara's financial policies and strategies will undergo review and refinement to ensure that we are in a position to respond to these expected changes in the Region's economy.

An organization's strength is highly dependent on human resources. The Region's successful year is a direct result of the commitment and dedication of the elected representatives and staff. Included in the Region's strategy for the future is the nurturing and further development of this very valuable resource.

The people who work for Niagara have demonstrated an ability to adapt and respond positively to the many changes taking place in the Region. In particular, the staff of the Finance Department continue to accept and successfully meet all of the challenges facing them, and their resourcefulness is greatly appreciated.



Mike Trojan
Treasurer and Director of Finance

(All dollar amounts are in thousands of dollars, except per capita figures)	1987	1986	1985	1984	1983	1982
Population at the end of the year*	370,502	370,132	369,312	369,001	368,983	367,738
Area in acres at the end of the year	459,776	459,776	459,776	459,776	459,776	459,776
Employees – continuous full time) – part time)	2,212	2,169	2,106	2,059	1,901	1,920
Number of households	145,395	143,029	141,214	140,099	138,965	137,197
Assessment	$	$	$	$	$	$
Taxable assessment upon which the year's rates of taxation were set						
Residential and farm	615,821	586,878	581,628	575,298	562,900	555,413
Commercial and industrial) Business)	310,212	308,541	305,578	306,667	308,133	304,528
Total	926,033	895,419	887,206	881,965	871,033	859,941
Per Capita	2,474	2,419	2,402	2,390	2,361	2,338
Commercial and industrial, and business as a percentage of taxable assessment	33.5%	34.5%	34.4%	34.8%	35.4%	35.4%
Revenue for general municipal services						
Taxation	85,632	80,413	74,782	68,984	62,996	57,745
Payments in lieu of taxes	–	–	–	–	–	–
Ontario grants	64,475	62,006	59,278	56,571	53,489	45,622
Other grants	106	59	372	236	332	11
Fees and service charges	12,085	11,152	11,115	9,204	8,436	7,710
Other	2,145	2,063	1,883	1,974	3,843	1,914
Total	164,443	155,693	147,430	136,969	129,096	113,002
Expenditure – general municipal	165,262	155,386	145,905	136,389	129,735	113,957
Net long term liabilities						
General municipal activities	89,202	90,727	97,356	99,394	99,569	98,084
– per capita	241	245	264	269	270	267
– percentage of taxable assessment	9.7%	10.1%	11.0%	11.3%	11.4%	11.4%
Charges for net long term liabilities						
General municipal activities	17,767	18,991	18,300	18,130	18,475	14,735
– per capita	48	51	50	49	50	40
– percentage of expenditure	10.7%	12.2%	12.5%	13.3%	14.2%	12.9%
Capital financing during the year						
Contributions from own funds	16,406	9,944	9,286	6,577	5,086	5,223
Long term liabilities incurred	6,046	1,799	5,390	7,057	9,891	17,710
Ontario grants	10,773	3,793	6,108	7,258	3,828	4,964
Other	2,271	1,977	1,401	345	1,360	1,587
Total	35,496	17,513	22,185	21,237	20,165	29,484
Capital expenditure during the year	29,111	16,181	18,105	20,005	15,374	25,989
Accumulated net revenue (deficit) at the end of the year	2,094	2,913	2,607	1,082	501	1,139
Reserves and reserve funds	24,001	22,022	17,984	14,944	12,002	11,344

*Population for 1987 is based on a trend analysis of the counts in previous years. Previous years are combinations of census and assessed populations.

Crawford, Smith and Swallow
Chartered Accountants

4741 Queen Street
Niagara Falls, Ontario
L2E 2M2
(416) 356-4200

Offices in
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario

crawford
smith&
swallow

To the Chairman,
The Members of Council,
Inhabitants and Ratepayers
of The Regional Municipality
of Niagara

We have examined the consolidated balance sheet of The Regional Municipality of Niagara as at December 31, 1987 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation of The Regional Municipality of Niagara as at December 31, 1987 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in note (1) to the financial statements applied on a basis consistent with that of the preceding year.

Niagara Falls, Ontario
May 27, 1988

Crawford, Smith & Swallow
Chartered Accountants

CONSOLIDATED BALANCE SHEET
as at December 31, 1987

ASSETS

	1987 $	1986 $
UNRESTRICTED		
Cash	–	4,610,968
Investments (note 3)	35,992,206	24,570,593
Accounts Receivable	14,566,705	12,877,332
Other Current Assets	2,859,013	2,666,981
Other Long Term Assets	1,302,724	1,400,171
	54,820,648	46,126,045
RESTRICTED		
Notes Receivable	14,728,273	13,590,999
Investments (note 3)		
– current – own	94,000	501,110
– current – other	184,500	95,000
Accounts Receivable	32,510	44,278
Investments (note 3)		
– non-current – own	10,000	84,000
– non-current – other	757,000	876,500
	15,806,283	15,191,887
CAPITAL OUTLAY FINANCED BY LONG TERM LIABILITIES AND TO BE RECOVERED IN FUTURE YEARS (note 1(b))	89,201,848	90,727,396
	159,828,779	152,045,328

LIABILITIES

CURRENT		
Temporary Loans	1,482,173	–
Notes Payable	14,728,273	13,590,999
Accounts Payable and Accruals	9,963,768	11,990,550
Other	4,294,358	1,345,580
	30,468,572	26,927,129
NET LONG TERM LIABILITIES (note 6)	89,201,848	90,727,396

FUND BALANCES AT THE END OF THE YEAR

TO BE USED TO OFFSET TAXATION OR USER CHARGES (Note 7)	1,846,530	2,739,196
HEALTH SERVICES (Note 7)	247,259	173,752
	2,093,789	2,912,948
UNEXPENDED CAPITAL FINANCING (Note 7)	14,063,692	9,456,244
RESERVES (Note 8)	8,194,595	6,829,724
RESERVE FUNDS (Note 8)	15,806,283	15,191,887
	40,158,359	34,390,803
	159,828,779	152,045,328

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended December 31, 1987

	1987 $	1986 $
SOURCES OF FINANCING:		
REQUISITIONS AND USER CHARGES		
Requisitions on other governments	85,631,846	80,412,506
User Charges	11,992,551	11,152,000
GRANTS		
Government of Canada	113,325	108,067
Province of Ontario	75,247,591	65,799,081
Other Municipalities	607,421	1,150,893
OTHER		
Investment income	3,251,243	2,614,886
Sale of land	17,000	85,829
Other	1,600,716	864,709
PROCEEDS FROM THE ISSUE OF LONG TERM LIABILITIES	6,045,600	1,798,900
MUNICIPAL FUND BALANCES AT THE BEGINNING OF THE YEAR (Note 7)		
To be used to offset taxation or user charges	2,739,196	2,523,510
Health Services	173,752	83,576
Unexpended Capital Financing	9,456,244	8,124,377
TOTAL FINANCING AVAILABLE DURING THE YEAR	196,876,485	174,718,334

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended December 31, 1987

	1987 $	1986 $
APPLIED TO:		
CURRENT OPERATIONS		
General Government	8,662,798	8,209,963
Protection to Persons & Property	39,337,619	36,816,234
Transportation Services	13,818,949	13,570,152
Environmental Services	27,188,050	27,414,522
Health Services	6,644,708	5,862,426
Social & Family Services	52,085,006	49,172,370
Recreational & Cultural Services	80,350	118,677
Planning & Development	1,811,465	1,665,903
	149,628,945	142,830,248
CAPITAL OPERATIONS		
General Government	550,728	887,702
Protection to Persons & Property	2,444,877	1,274,232
Transportation Services	10,780,682	7,839,056
Environment Services	9,249,544	4,861,465
Health Services	77,305	24,749
Social & Family Services	5 944,267	538,190
Planning & Development	63,389	56,061
	29,110,792	15,481,455
NET APPROPRIATIONS TO RESERVES & RESERVE FUNDS	1,979,267	4,037,439
MUNICIPAL FUND BALANCES AT THE END OF THE YEAR (Note 7)		
To be used to offset taxation or user charges	1,846,530	2,739,196
Health Services	247,259	173,752
Unexpended Capital Financing	14,063,692	9,456,244
TOTAL APPLICATIONS DURING THE YEAR	196,876,485	174,718,334

The accompanying notes are an integral part of this financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1987

1. ACCOUNTING POLICIES

The consolidated financial statements of The Regional Municipality of Niagara are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

(a) Basis of Consolidation

(i) The consolidated financial statements reflect the assets, liabilities, sources of financing and expenditure of the revenue fund, capital fund, reserve fund and reserves and include the activities of all committees of Council and the following local boards and Regional enterprises which are under the control of Council:

- Board of Commissioners of Police
- Water Treatment Operations
- Sewage Operations

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

(ii) The financial activities of certain local boards and entities are not consolidated except to the extent of amounts due to or due from those entities and the Region's contribution to those entities. Those entities which are not consolidated are as follows:

- Community Mental Health Program
- Home Care Programs
- Niagara Peninsula Conservation Authority
- Niagara Children's Aid Society
- Niagara Regional Development Corporation
- Region Niagara Tourist Council

(iii) Trust Funds and their related operations administered by the Region are not consolidated but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".

(b) Basis of Accounting

(i) Accrual Accounting

Sources of financing and expenditure are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities, vested sick leave benefits and contributions to defined benefit pension plans, all of which are charged to operations in the periods in which they are paid.

The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenditure is recognized as it is incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Fixed Assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported in the year of acquisition as an expenditure on the Consolidated Statement of Operations.

(iii) Capital Outlay to be Recovered in Future Years

Capital outlay to be recovered in future years represents the outstanding principal portion of unmatured long term liabilities and is reported on the Consolidated Balance Sheet.

(iv) Investments

Investments are reported at cost on the Consolidated Balance Sheet.

2. TRUST FUNDS

Trust funds and their related operations administered by the Region amounting to $6,516,947 (1986 $3,987,592) are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".

3. INVESTMENTS

The total of investments of $37,037,706 (1986 $26,127,203) are reported on the Consolidated Balance Sheet at cost, has a market value of $37,004,281 (1986 $26,160,846) at the end of the year.

4. PENSION AGREEMENTS

(a) Ontario Municipal Employees Retirement System

(i) The Region makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 2,200 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The Region's share of contributions to OMERS for 1987 was $4,459,905 (1986 $4,287,074) for current service and is included as an expenditure on the Consolidated Statement of Operations.

(ii) Under the past service provision of pension agreements, the municipality is obligated at December 31, 1987 for an amount of approximately $3,597,838 (1986 $3,911,015) as established for the plans. No provision has been made for this liability. An amount of $626,058 (1986 $626,058) has been provided for in the current year and is reported on the "Consolidated Statement of Operations".

5. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Region's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to $12,873,570 (1986 $12,151,937) at the end of the year. The estimated actuarial liability for the accumulated sick leave entitlements under the plan is approximately $9,269,000 (1986 $8,749,000). An amount of $1,063,908 (1986 $1,063,908) has been provided for this past service liability and is reported on the Consolidated Balance Sheet as a reserve.

No amount (1986 $400,000) has been provided for in the current year. Further review of the funding of this liability is being undertaken and will be addressed with contributions in future years.

6. NET LONG TERM LIABILITIES

(a) In addition to long term liabilities incurred directly, the Region has assumed the responsibility for the charges on debt originally incurred by local municipalities in respect of functions which are now a Regional responsibility.

As well as incurring long term liabilities for Regional purposes, the Region also incurs long term liabilities on behalf of the Area Municipalities and School Boards. The responsibility for raising the amounts required to service this debt lies with the respective Area Municipalities and School Boards.

The Region is contingently liable for long term liabilities with respect to tile drainage and shoreline property assistance loans and for debenture for which the responsibility for the payment of principal and interest has been assumed by Area Municipalities, School Boards and unconsolidated local boards, municipal enterprises and utilities. The total amount of this contingent liability outstanding as at December 31, 1987 is $55,114,140 (1986 $56,406,566 and is not reported on the Consolidated Balance Sheet.

(b) The balance of net long term liabilites reported on the Consolidated Balance Sheet is made up of the following:

	1987 $	1986 $
Long term liabilities incurred by the Region	145,000,163	147,031,125
Long term liabilities incurred by others for which the Region has assumed responsibility	1,102,677	1,863,800
Long term liabilities incurred by the Region for which other governments have assumed responsibility	(55,114,140)	(56,406,566)
Sinking fund and Ministry of the Environment debt retirement Fund accumulated to the end of the year to retire the Region's related long term liabilities	(1,786,852)	(1,760,963)
	89,201,848	90,727,396

Approval of the Ontario Municipal Board has been obtained for the long term liabilities issued in the name of the Region.

(c) Of the net long term liabilities certain principal payments do not represent a burden on general Regional revenue, as they are to be recovered in future years from other sources. The total principal payments for the periods 1988 to 1992, 1993 to 1997 and 1998 and thereafter and the source of financing are summarized as follows:

	1988 to 1992 $	1993 to 1997 $	1998 and thereafter $
From general municipal revenues	10,979,515	3,698,949	–
From sewage operations	15,836,872	8,712,785	18,419,223
From water operations	15,356,079	5,396,152	10,802,273
Total	42,172,466	17,807,886	29,221,496

7. FUND BALANCES AT THE END OF THE YEAR

(a) Fund balances on the "Consolidated Statement of Operations" of $2,093,789 (1986 $2,912,948) and $14,063,692 (1986 $9,456,244) at the end of the year are comprised of the following:

	1987 $	1986 $
For general reduction of taxation	1,846,530	2,739,196
Health Services	247,259	173,752
Funds available for the acquisition of fixed assets	14,063,692	9,456,244
	16,157,481	12,369,192

(b) Approval of the Ontario Municipal Board has been obtained for the pending issue of long term liabilities and for those commitments to be financed from revenues beyond the term of Council.

8. RESERVES AND RESERVE FUNDS

The total balance of reserves and reserve funds of $24,000,878 (1986 $22,021,611) is made up of the following:

Set aside for specific purpose by Council	1987 $	1986 $
Reserves:		
Workers' Compensation	1,336,643	1,143,643
Working Funds	1,560,399	1,492,170
Accumulated Sick Leave	1,063,908	1,063,908
Insurance Deductible	1,226,066	1,247,238
Health Services Capital Expenses	26,521	26,521
Contingency	1,089,263	714,843
General Property Acquisition	524,395	373,149
Building Standards	233,528	126,575
General Capital Levy	608,493	386,002
Encumbrance	525,379	255,675
	8,194,595	6,829,724
Reserve Funds:		
Equipment Replacement	2,809,507	2,300,254
Welland Canal Crossing	3,367,599	3,321,754
Health Services – Future Expenditure	111,999	116,575
Capital Works – Sewer Operations	3,979,555	5,297,068
Capital Works – Water Operations	4,051,812	2,974,918
Water Works – Refundable Debentures	519,071	413,448
Sewage Works – Refundable Debentures	959,447	767,870
Developers Deposits	7,293	–
	15,806,283	15,191,887
Total Reserves and Reserve Funds	24,000,878	22,021,611

9. CHARGES FOR NET LONG TERM LIABILITIES

Total charges for the year for net long term liabilities which are reported on the "Consolidated Statement of Operations" are as follows:

	1987 $	1986 $
Principal payments including payments to the Ministry of the Environment Debt Retirement Fund	7,571,149	8,427,839
Interest	10,195,503	10,563,571
	17,766,652	18,991,410

The charges for long term liabilities assumed by the non-consolidated entities or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these statements.

10. CONTINGENT LIABILITIES

(a) D'Intino

This claim is for loss of business caused by expropriation of their lands and construction at the Lakeshore/Lakeport/Ontario Street intersection in the City of St. Catharines. The claim is for approximately $142,000.

(b) The Region has assumed the liability for any cost awarded under the Workers' Compensation Act. An amount of $1,336,643 (1986 $1,143,643) has been provided for this liability and is reported on the Consolidated Balance Sheets as a reserve. Payments charged against operations in the current year amounted to $1,357,064 (1986 $1,235,833).

(c) Other legal actions are outstanding against the Region, the potential total liability for which is not significant.

11. CONTRACTUAL OBLIGATIONS

The Region has entered into an agreement with Bartels Farms for the haulage of Sludge. The agreement escalates by the application of an annual inflation factor. The cost for 1987 is $742,000 (1986 - $577,000). The agreement expires October 5, 1991.

12. BUDGET FIGURES

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been reflected on the Consolidated Statement of Operations.

13. PUBLIC LIABILITY INSURANCE

In recent years there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the Region has undertaken some portion of the risk, which would normally have been covered by outside insurers.

The Region is self insured for public liability claims up to $100,000 for any individual claim and $100,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

The Region has a Reserve for allocated Self Insurance claims which as at December 31, 1987 amount to $1,226,066 (1986 $1,247,238) and is reported on the Consolidated Balance Sheet under Reserves.

All claims settled during 1987 were budgeted and reflected in the Consolidated Statement of Operations. Claims settled in 1987 exceeded the budget amount by $21,172 and this excess was provided for from the insurance reserve.

14. SUBSEQUENT EVENT

The Region has committed to float a $12,000,000 debenture issue, dated January 15, 1988 on behalf of the respective Area Municipalities and the Welland County Separate School Board. The Region, Area Municipalities and the Welland County Separate School Board have direct, joint and several obligations for the repayment of this debenture.

SCHEDULE 1

ANALYSIS OF CURRENT OPERATIONS
for the year ended December 31, 1987
(UNAUDITED)

	1987 $	1986 $
REVENUE		
REQUISITIONS AND USER CHARGES		
Requisitions on other Governments	85,631,846	80,412,506
User Charges	11,992,551	11,152,000
GRANTS		
Government of Canada	105,861	58,817
Province of Ontario	64,474,519	62,006,071
OTHER		
Investment Income	1,175,303	1,003,195
Other	1,062,353	1,059,675
TOTAL MUNICIPAL CURRENT REVENUE	164,442,413	155,692,264
LESS: Appropriations from Other Funds	118,298	417,427
NET MUNICIPAL CURRENT REVENUE	164,324,115	155,274,837
EXPENDITURES AND APPROPRIATIONS		
General government	11,474,851	10,508,901
Protection to persons & property	40,219,085	37,596,535
Transportation services	16,867,538	16,421,347
Environmental services	35,373,342	33,415,951
Health services	6,721,367	5,978,821
Social & family services	52,706,828	49,669,623
Recreation & cultural services	80,350	118,677
Planning & development	1,818,211	1,676,547
TOTAL MUNICIPAL CURRENT EXPENDITURES	165,261,572	155,386,402
LESS: Appropriations to Other Funds	15,912,474	12,556,154
NET MUNICIPAL CURRENT EXPENDITURES	149,349,098	142,830,248
EXCESS OF NET MUNICIPAL REVENUE OVER NET MUNICIPAL EXPENDITURES	14,975,017	12,444,589
NET APPROPRIATIONS TO OTHER FUNDS	15,794,176	12,138,727
SURPLUS (DEFICIT) FOR THE YEAR	(819,159)	(305,862)
SURPLUS AT THE BEGINNING OF THE YEAR	2,912,948	2,607,086
SURPLUS AT THE END OF THE YEAR	2,093,789	2,912,768

SCHEDULE 2

ANALYSIS OF CAPITAL OPERATIONS
for the year ended December 31, 1987
(UNAUDITED)

	1987 $	1986 $
FUNDS PROVIDED BY		
Long term liabilities incurred	6,045,600	1,798,900
Government of Canada grants	7,464	49,250
Province of Ontario Grants	10,773,072	3,793,010
Other Municipalities	607,421	1,150,893
Investment Income	981,946	469,285
Other	673,681	308,290
Appropriations from other funds		
– current operations	4,079,242	3,436,489
– reserves and reserve funds	12,397,504	6,507,129
	35,565,930	17,513,246
FUNDS USED FOR		
General Government	550,728	887,702
Protection to persons & property	2,444,877	1,274,232
Transportation services	10,780,682	7,839,056
Environmental services	9,249,544	4,861,465
Health services	77,305	24,749
Social & family services	6,944,267	538,190
Planning & development	63,389	56,061
Transfers to Reserves and Reserve Funds	1,847,690	699,924
	30,958,482	16,181,379
UNEXPENDED CAPITAL FINANCING FOR THE YEAR	4,607,448	1,331,867
UNEXPENDED CAPITAL FINANCING AT BEGINNING OF YEAR	9,456,244	8,124,377
UNEXPENDED CAPITAL FINANCING AT THE END OF THE YEAR	14,063,692	9,456,244

SCHEDULE 3

ANALYSIS OF RESERVES
for the year ended December 31, 1987
(UNAUDITED)

	Total $	Workers' Compensation $	Working Funds $	Accum. Sick Leave $	Insurance Deduct. $	Health Unit CAP Exp. $
Balance at the Beginning of the Year	6,829,724	1,143,643	1,492,170	1,063,908	1,247,238	26,521
Appropriations From(To):						
Current Operations	2,914,945	193,000	68,230	–	(21,172)	–
Capital Operations	(1,550,074)	–	–	–	–	–
Balance at the End of the Year	8,194,595	1,336,643	1,560,400	1,063,908	1,226,066	26,521

	Contingency $	Gen. Prop. Acq. $	Building Std. $	Gen. Cap. Levy $	Encumbrances $
Balance at the Beginning of the Year	714,843	373,149	126,575	386,002	255,675
Appropriations From(To):					
Current Operations	398,420	–	106,953	1,899,811	269,703
Capital Operations	(24,000)	151,246	–	(1,677,320)	–
Balance at the End of the Year	1,089,263	524,395	233,528	608,493	525,378

SCHEDULE 4
ANALYSIS OF RESERVE FUNDS
for the year ended December 31, 1987
(UNAUDITED)

	Total $	Equipment Replacement $	Welland Canal Crossing $	Sewage Works Refundable Debentures $
Balance at the Beginning of the Year	15,191,887	2,300,254	3,321,754	767,870
REVENUE				
Interest Earned	1,955,023	177,819	268,067	58,533
Contributions from Current Operations	8,641,628	894,355	–	133,044
Contributions from Capital Operations	–	–	–	–
	10,596,651	1,072,174	268,067	191,577
EXPENDITURES				
Contribution to Current Operations	82,569	–	–	–
Contributions to Capital Operations	9,899,686	562,921	222,222	–
	9,982,225	562,921	222,222	–
Balance at the End of the Year	15,806,283	2,809,507	3,367,599	959,447

	Waterworks Refundable Debentures $	Capital Works Water Operations $	Capital Works Sewage Operations $	Developers Deposits $	Health Unit Future Expenditure $
Balance at the Beginning of the Year	413,448	2,974,918	5,297,068	–	116,575
REVENUE					
Interest Earned	31,595	680,457	729,500	18	9,034
Contributions from Current Operations	74,028	3,507,869	4,025,057	7,275	–
Contributions from Capital Operations	–	–	–	–	–
	105,623	4,188,326	4,754,557	7,293	9,034
EXPENDITURES					
Contributions to Current Operations	–	68,959	–	–	13,610
Contributions to Capital Operations	–	3,042,473	6,072,070	–	–
		3,111,432	6,072,070		13,610
Balance at the End of the Year	519,071	4,051,812	3,979,555	7,293	111,999

Crawford, Smith and Swallow
Chartered Accountants

4741 Queen Street
Niagara Falls, Ontario
L2E 2M2
(416) 356-4200

Offices in
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario

crawford
smith&
swallow

To the Chairman
The Members of Council
Inhabitants, and Ratepayers
of The Regional Municipality
of Niagara

We have examined the balance sheet of the Trust Funds of The Regional Municipality of Niagara as at December 31, 1987 and the Statement of Continuity of Trust Funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the trust funds for the Corporation of The Regional Municipality of Niagara as at December 31, 1987 and the Statement of Continuity of Trust Funds for the year then ended in accordance with the accounting principles disclosed in note (1) to the financial statements applied on a basis consistent with that of the preceding year.

Niagara Falls, Ontario
May 27, 1988

Crawford, Smith and Swallow
Chartered Accountants

STATEMENT OF CONTINUITY
for the year ended December 31, 1987

	Total $	Residents' Trust Accounts $	Trust Funds Retained for Residents $	Donated Surplus $
Balance at the beginning of the year (Note 2)	3,987,692	3,727,757	234,369	25,566
Capital receipts				
Residents' deposits net	6,027,917	6,027,917	–	–
Interest earned	271,487	248,963	20,768	1,756
Donations	9,411	–	5,443	3,968
	6,308,815	6,276,880	26,211	5,724
Expenditures				
Residents' withdrawals net	6,372,439	6,372,439	–	–
Expenditures for the benefit of residents	34,300	–	24,905	9,395
	6,406,739	6,372,439	24,905	9,395
Balance at the End of the Year	3,889,768	3,632,198	235,675	21,895

BALANCE SHEET
as at December 31, 1987

	Total $	Residents' Trust Accounts $	Trust Funds Retained for Residents $	Donated Surplus $
Assets				
Cash	257,362	(208)	235,675	21,895
Investments	3,567,000	3,567,000	–	–
Accrued Interest	97,008	97,008	–	–
Due from the Regional Municipality of Niagara	27,822	27,822	–	–
	3,949,192	3,691,622	235,675	21,895
Interest to be apportioned	59,424	59,424	–	–
Fund Balance	3,889,768	3,632,198	235,675	21,895
	3,949,192	3,691,622	235,675	21,895

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 1987

1. ACCOUNTING POLICIES

The financial statements of the Trust Funds of The Regional Municipality of Niagara are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involve the use of estimates and approximations. These have been made using careful judgements.

(a) Basis of Accounting

Receipts and disbursements on the Statement of Continuity are reported on the accrual basis of accounting.

2. INVESTMENTS

The investments totalling $3,567,000 (1986 $3,361,000) recorded on the Balance Sheet at cost, have a market value of $3,567,000 (1986 $3,361,000) as at the end of the year.

FINANCE DEPARTMENT MANAGEMENT STAFF:

Treasurer and Director of Finance	M. T. Trojan, CMA
Assistant Director, Administrative & Fiscal Services	S. Bacchus, B.A., M.A., J.D.
Assistant Director, Supply & Services	P. A. Crow
Assistant Director, Accounting	B. F. Evans, C.G.A.
Manager, Budgets & Capital Financing	D. N. MacDonald
Manager Computer Services	W. J. Fowler
Manager Payroll & Accounting	A. Pizycki, C.A.
Administrative Assistant	M. LeBlanc, A.M.C.T.(A)

OTHER SUPPORTING SERVICES

AUDITORS	Crawford, Smith & Swallow
BANKERS	The Royal Bank of Canada
FISCAL AGENCY	Levesque, Beaubien Inc. RBC Dominion Securities Inc. Wood Gundy Inc.
FISCAL SOLICITOR	McMillan, Binch
INSURERS	Frank Cowan Company Limited

SENIOR APPOINTED OFFICIALS

Chief Administrative Officer	M. H. Boggs
Regional Clerk	A. R. Pierson
Director of Engineering	C. H. Eidt
Director of Finance	M. T. Trojan
Medical Officer of Health	Dr. J. Burkholder
Director of Personnel	J. D. Schofield
Director of Planning	A. Veale
Director of Senior Citizens	D. H. Rapelje
Director of Social Services	M. Fraser
Regional Solicitor	J. J. Burns

MEMBERS OF REGIONAL COUNCIL
1985 - 1988

Chairman: Wilbert N. Dick

CITIES

Niagara Falls
William Smeaton, Mayor
Doulas A. Mann
Brian Merrett
Peter Sobol

Port Colborne
Robert Sarancino, Mayor
William Augustine

St. Catharines
Joe McCaffery, Mayor
Michael Collins
William Dickson
Eleanor Lancaster
William J. Marshall
J. Trevor Morgan
Robert W. P. Welch

Thorold
William Longo, Mayor
Mal Woodhouse

Welland
Roland Hardy, Mayor
Al Lacavera
Loyola Lemelin

TOWNS

Fort Erie
Heinz Hummel, Mayor
John Teal

Grimsby
Ross E. Hall, Mayor
Ronald W. Book

Lincoln
Ray R. Konkle, Mayor
Gladys Huffman

Niagara-on-the-Lake
Jim Marino, Lord Mayor
Harold Clement

Pelham
Eric Bergenstein, Mayor

TOWNSHIPS

Wainfleet
Stan Pettit, Mayor

West Lincoln
Allard Colyn, Mayor

BOARDS AND COMMISSIONS

Niagara Regional Board of Commissioners of Police
D. R. Taylor, Chairperson
J. E. Shoveller, Chief of Police

Family & Children's Services
W. C. Smiley, President
J. C. Elliott, Director

Niagara Region Development Corporation
R. D. Prince, President
M. H. Fischer, General Manager

Niagara Peninsula Conservation Authority
J. Hickey, Chairman
A. L. Burt, General Manager